

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Metamora	County Lapeer
Fiscal Year End 03/31/2006	Opinion Date 07/12/2006	Date Audit Report Submitted to State 09/15/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

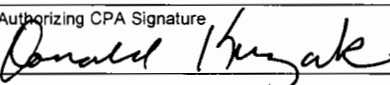
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hyzer, Hill, Kuzak & Co., P.C.		Telephone Number 989-269-9541	
Street Address 1242 Sand Beach Road		City Bad Axe	State MI
		Zip 48413	
Authorizing CPA Signature 		Printed Name Donald P. Kuzak	License Number 1101007059

**VILLAGE OF METAMORA**  
**LAPEER COUNTY, MICHIGAN**

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**FINANCIAL REPORT**  
**YEAR ENDED MARCH 31, 2006**

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# **HYZER, HILL, KUZAK & CO., P.C.**

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## **INDEPENDENT AUDITORS' REPORT**

To the Village Council  
Village of Metamora, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Village of Metamora, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Metamora's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Village of Metamora as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Metamora's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Hyzer, Hill, Hugel & Co, P.C.*

July 12, 2006

## **BASIC FINANCIAL STATEMENTS**

**Village of Metamora, Michigan****Statement of Net Assets  
March 31, 2006**

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents, unrestricted	\$ 1,348,858	\$ 141,556	\$ 1,490,414
Cash and cash equivalents, restricted	-	203,893	203,893
Receivables, unrestricted - net of allowance	-	11,882	11,882
Receivables, restricted - net of allowance	-	7,574	7,574
Due from other governments	13,729	-	13,729
Long-term contract, restricted	-	64,996	64,996
Internal balances	109,536	(109,536)	-
Unamortized bond costs	-	16,509	16,509
Capital assets, net	277,139	3,677,320	3,954,459
<b>Total assets</b>	<b>\$ 1,749,262</b>	<b>\$ 4,014,194</b>	<b>\$ 5,763,456</b>
<b>Liabilities</b>			
Accounts payable	\$ 17,446	\$ 4,331	\$ 21,777
Accrued payroll and liabilities	1,898	-	1,898
Accrued interest	-	14,000	14,000
Noncurrent liabilities:			
Revenue bonds due within one year	-	16,000	16,000
Revenue bonds due in more than one year	-	545,000	545,000
<b>Total liabilities</b>	<b>19,344</b>	<b>579,331</b>	<b>598,675</b>
<b>Net Assets</b>			
Investment in capital assets, net	277,139	3,116,320	3,393,459
Restricted:			
Streets and local roads	93,835	-	93,835
Debt service	-	260,463	260,463
Unrestricted	1,358,944	58,080	1,417,024
<b>Total net assets</b>	<b>\$ 1,729,918</b>	<b>\$ 3,434,863</b>	<b>\$ 5,164,781</b>

The notes to financial statements are an integral part of this statement.

# Village of Metamora, Michigan

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
Governmental activities:			
General government	\$ 104,561	\$ -	\$ -
Public works	68,609	13,991	41,348
Total governmental activities	173,170	13,991	41,348
Business type activities:			
Water and sewer	214,028	171,147	4,000
Interest on long-term debt	29,203	-	-
Total business type activities	243,231	171,147	4,000
Total primary government	\$ 416,401	\$ 185,138	\$ 45,348

## General revenue:

Property taxes

State sources

Unrestricted investment income

Miscellaneous revenue

Total general revenue

Change in net assets

Net assets, beginning of year

Prior period adjustments

Net assets, end of year

The notes to financial statements are an integral part of this statement.



**Statement of Activities**  
**For the Year Ended March 31, 2006**

<u>Net (Expense) Revenue and Change in Net Assets</u>		
	<u>Primary Government</u>	
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (104,561)	\$ -	\$ (104,561)
(13,270)	-	(13,270)
(117,831)	-	(117,831)
-	(38,881)	(38,881)
-	(29,203)	(29,203)
-	(68,084)	(68,084)
(117,831)	(68,084)	(185,915)
298,199	-	298,199
40,144	-	40,144
33,933	12,971	46,904
20,290	-	20,290
392,566	12,971	405,537
274,735	(55,113)	219,622
1,451,202	3,489,976	4,945,159
3,981	-	-
<u>\$ 1,729,918</u>	<u>\$ 3,434,863</u>	<u>\$ 5,164,781</u>

The notes to financial statements are an integral part of this statement.

**Village of Metamora, Michigan****Governmental Funds  
Balance Sheet  
March 31, 2006**

	Major Funds				
	General	Major Street	Local Street	Downtown Development Authority	Total Governmental Funds
<b>Assets</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 238,005	\$ 29,444	\$ 58,826	\$1,022,583	\$ 1,348,858
Receivables:					
Other governmental units	6,164	5,933	1,632	-	13,729
Due from other funds	34,821	-	-	104,536	139,357
Total assets	<u>\$ 278,990</u>	<u>\$ 35,377</u>	<u>\$ 60,458</u>	<u>\$1,127,119</u>	<u>\$ 1,501,944</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 15,446	\$ 1,250	\$ 750	\$ -	\$ 17,446
Accrued payroll and liabilities	1,898	-	-	-	1,898
Due to other funds	-	-	-	29,821	29,821
Total liabilities	17,344	1,250	750	29,821	49,165
<b>Fund Balances</b>					
Unreserved	261,646	34,127	59,708	1,097,298	1,452,779
Total fund balances	261,646	34,127	59,708	1,097,298	1,452,779
Total liabilities and fund balances	<u>\$ 278,990</u>	<u>\$ 35,377</u>	<u>\$ 60,458</u>	<u>\$1,127,119</u>	<u>\$ 1,501,944</u>

The notes to financial statements are an integral part of this statement.

**Village of Metamora, Michigan**

**Reconciliation of Fund Balance on the Balance Sheet for  
Governmental Funds to Net Assets of Governmental Activities  
on the Statement of Net Assets  
March 31, 2006**

Total fund balances, governmental funds		\$ 1,452,779
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets	355,803	
Accumulated depreciation	<u>(78,664)</u>	<u>277,139</u>
Net assets, governmental activities		<u>\$ 1,729,918</u>

The notes to financial statements are an integral part of this statement.

**Village of Metamora, Michigan**

**Governmental Funds**

**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**For the Year Ended March 31, 2006**

	Major Funds				
	General	Major Street	Local Street	Downtown Development Authority	Total Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 199,588	\$ -	\$ -	\$ 98,611	\$ 298,199
Licenses and permits	2,126	-	-	-	2,126
State sources	40,144	32,367	8,981	-	81,492
Charges for services	18,991	-	-	-	18,991
Interest income	7,382	531	1,568	24,452	33,933
Rental income	15,419	-	-	-	15,419
Miscellaneous	2,745	-	-	-	2,745
Total revenue	286,395	32,898	10,549	123,063	452,905
<b>Expenditures</b>					
General government	102,220	-	-	4,497	106,717
Public works	59,083	14,799	4,262	-	78,144
Total expenditures	161,303	14,799	4,262	4,497	184,861
Excess of revenue over expenditures	125,092	18,099	6,287	118,566	268,044
<b>Other Financing Sources (Uses)</b>					
Transfers in	29,821	-	-	94,259	124,080
Transfers out	(94,259)	-	-	(29,821)	(124,080)
Total other financing sources (uses)	(64,438)	-	-	64,438	-
Excess of revenue and other financing sources over expenditures and other financing uses	60,654	18,099	6,287	183,004	268,044
Fund balances, beginning of year	200,992	12,905	52,563	914,294	1,180,754
Prior period adjustment	-	3,123	858	-	3,981
Fund balances, end of year	<u>\$ 261,646</u>	<u>\$ 34,127</u>	<u>\$ 59,708</u>	<u>\$ 1,097,298</u>	<u>\$ 1,452,779</u>

The notes to financial statements are an integral part of this statement.

**Village of Metamora, Michigan****Reconciliation of the Statement of Revenues  
Expenditures and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended March 31, 2006**

Net change in fund balances, governmental funds	\$	268,044
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	23,315	
Depreciation expense	<u>(16,624)</u>	<u>6,691</u>

Change in net assets, governmental activities	\$	<u>274,735</u>
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The accompanying notes are an integral part of these financial statements.

**Village of Metamora, Michigan**

**Proprietary Funds**  
**Statement of Net Assets**  
**March 31, 2006**

	Business Type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 93,371	\$ 48,185	\$ 141,556
Accounts receivable	5,573	6,309	11,882
Total current assets	98,944	54,494	153,438
Noncurrent assets:			
Restricted for debt retirement:			
Cash and cash equivalents	203,893	-	203,893
Long-term contracts	64,996	-	64,996
Accounts receivable	7,574	-	7,574
Total restricted for debt retirement	276,463	-	276,463
Capital assets, net	2,491,066	1,186,254	3,677,320
Unamortized bond costs	16,509	-	16,509
Total noncurrent assets	2,784,038	1,186,254	3,970,292
Total assets	<u>\$ 2,882,982</u>	<u>\$ 1,240,748</u>	<u>4,123,730</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 2,155	\$ 2,176	\$ 4,331
Accrued interest	14,000	-	14,000
Due to other funds	4,000	1,000	5,000
Revenue bonds payable, due within one year	16,000	-	16,000
Total current liabilities	36,155	3,176	39,331
Long-term liabilities:			
Advance from component units	-	104,536	104,536
Long-term debt, net of current portion	545,000	-	545,000
Total long-term liabilities	545,000	104,536	649,536
Total liabilities	581,155	107,712	688,867
<b>Net Assets</b>			
Investment in capital assets, net	1,930,066	1,186,254	3,116,320
Restricted for debt	260,463	-	260,463
Unrestricted	111,298	(53,218)	58,080
Total net assets	<u>\$ 2,301,827</u>	<u>\$ 1,133,036</u>	<u>\$ 3,434,863</u>

The notes to financial statements are an integral part of this statement.

**Proprietary Funds**  
**Statement of Revenue, Expenses, and Changes in Net Assets**  
**Year Ended March 31, 2006**

	Business Type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
<b>Operating Revenue</b>			
Sale of water	\$ -	\$ 52,421	\$ 52,421
Sewage disposal charges	49,593	-	49,593
Debt service usage charges	69,133	-	69,133
Total operating revenue	118,726	52,421	171,147
<b>Operating Expenses</b>			
Contracted services	37,173	29,340	66,513
Repairs	-	1,429	1,429
Supplies	2,628	1,660	4,288
Utilities	4,426	6,203	10,629
Administration	6,722	2,417	9,139
Depreciation	73,077	48,953	122,030
Total operating expenses	124,026	90,002	214,028
Operating loss	(5,300)	(37,581)	(42,881)
<b>Nonoperating Revenue (Expense)</b>			
Investment income	12,768	203	12,971
Interest expense	(29,203)	-	(29,203)
Total nonoperating revenue (expense)	(16,435)	203	(16,232)
<b>Loss before capital contributions</b>	(21,735)	(37,378)	(59,113)
<b>Capital contributions</b>			
Connection fees	-	4,000	4,000
Change in net assets	(21,735)	(33,378)	(55,113)
Net assets, beginning of year	2,323,562	1,166,414	3,489,976
Net assets, end of year	\$ 2,301,827	\$ 1,133,036	\$ 3,434,863

The notes to financial statements are an integral part of this statement.

**Village of Metamora, Michigan**
**Proprietary Funds  
Statement of Cash Flows  
March 31, 2006**

	Business Type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 130,226	\$ 51,825	\$ 182,051
Payments to suppliers	(49,848)	(41,050)	(90,898)
Net cash provided by operating activities	80,378	10,775	91,153
<b>Cash flows from capital and related financing activities:</b>			
User contributions	-	4,000	4,000
Paid to component unit on advance	-	(4,000)	(4,000)
Principal paid on bond debt	(95,000)	-	(95,000)
Interest paid on bond debt	(31,603)	-	(31,603)
Net cash used by capital and related financing activities	(126,603)	-	(126,603)
<b>Cash flows from investing activities:</b>			
Investment income	12,768	203	12,971
Net increase (decrease) in cash and cash equivalents	(33,457)	10,978	(22,479)
Cash and cash equivalents, beginning of year	330,721	37,207	367,928
Cash and cash equivalents, end of year	\$ 297,264	\$ 48,185	\$ 345,449
<b>Reconciliation of net loss to net cash provided by operating activities:</b>			
Operating loss for the year	\$ (5,300)	\$ (37,581)	\$ (42,881)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	73,077	48,953	122,030
Amortization of bond costs	1,101	-	1,101
Change in assets and liabilities:			
Accounts receivable	11,500	(597)	10,903
Net cash provided by operating activities	\$ 80,378	\$ 10,775	\$ 91,153

The notes to financial statements are an integral part of this statement.



**Fiduciary Funds**  
**Statement of Net Assets**  
**March 31, 2006**

	Escrow Account
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 909</u>
<b>Liabilities</b>	
Accounts payable	<u>\$ 909</u>

## **NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Metamora, Michigan conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

***Reporting Entity***

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit discussed below is included in the Village's reporting entity because of its operational or financial relationship with the Village.

***Blended Component Unit***

The financial statements of the following component unit has been "blended" with those of the Village because the component unit provides services entirely to the Village.

Downtown Development Authority – The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the DDA must be approved by the Village Council. The Village also has the ability to significantly influence operations of the DDA. Complete separate financial statements of the DDA are not prepared.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

***Government-wide Financial Statements***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net assets resulting from current year activities.

***Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The *General fund* is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The *Major Street fund* is used to account for the maintenance and construction of the Village's major street system.

The *Local Street fund* is used to account for the maintenance and construction of the Village's local street system.

The *Downtown Development Authority* assists the Village in financing improvements to the downtown area.

The Village reports the following major enterprise funds:

The *Sewer fund* is used to account for the revenues and expenses for the operation of the sewer system.

The *Water fund* is used to account for the revenues and expenses for the operation of the water system.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

#### ***Assets, Liabilities and Equity***

##### ***Deposits and Investments***

Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and all local government investment pools to be cash equivalents.

##### ***Interfund Receivables and Payables***

Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

##### ***Inventories and Prepaid Items***

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***Capital Assets***

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 40 years
Machinery and equipment	7 - 10 years
Office equipment	5 years
Water and sewer distribution systems	10 - 50 years
Infrastructure	20 years

***Long-term Obligations***

In the government-wide financial statements and proprietary fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund statement of net assets.

***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Eliminations and Reclassifications***

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

***Property Taxes***

Village property taxes become an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2005 taxable valuation of the Village totaled \$20,683,867, on which ad valorem taxes levied consisted of 10.4711 mills for the Village's operating purposes.

The delinquent real property taxes of the Village are purchased by Lapeer County. The delinquent real property taxes are received before year end.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgetary Information***

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Clerk submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General fund and major Special Revenue funds budgets as originally adopted and amended by the Village Council is included in the required supplementary information.
7. All annual appropriations lapse at fiscal year end.

***Excess of Expenditures Over Appropriations***

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2006, the Village incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund activity:			
General government:			
Dues	\$ 2,000	\$ 2,076	\$ 76
Public works:			
Unemployment and other	1,238	3,152	1,914
Sidewalk construction	-	6,373	6,373
Streetscape project	-	13,430	13,430

**3. DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the Council in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Village's deposits and investment policy are in accordance with statutory authority.

**Notes to Financial Statements**  
**March 31, 2006**  
**(Continued)**

The Village's deposits and investments at March 31, 2006 are included in the statement of net assets under the following categories:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,348,858	\$ 141,556	\$ 1,490,414
Restricted cash and cash equivalents	-	203,893	203,893
	<u>\$ 1,348,858</u>	<u>\$ 345,449</u>	<u>\$ 1,694,307</u>

***Deposits and Investments***

The Village's cash accounts are maintained at one bank using accounts which "sweep" excess cash balances into Governmental Investment Funds. At March 31, 2006, the Village's deposits and investment balances were as follows:

	<u>Primary Government</u>	<u>Fiduciary Fund</u>
Deposits	\$ 96,307	\$ 909
Investments	1,598,000	-
	<u>\$ 1,694,307</u>	<u>\$ 909</u>

***Custodial Credit Risk - Deposits***

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year end, none of the Village's bank balance of \$107,911 was uninsured.

***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Primary government - Sweep	\$1,598,000	Not rated	N/A



**4. RESTRICTED ASSETS AND BOND RESERVES**

***Sewer Revenue Bond***

The Sewer revenue bonds are to be repaid with revenues generated by user connection fees plus debt service charges of \$21 per customer per month. The system includes approximately 220 billable units. The Village is committed to maintaining the following reserves:

Bond reserve – quarterly deposits of \$1,875 are due until the balance is \$30,000.

Repair fund – quarterly deposits of \$350 are due until the balance is \$9,800.

Although the Village has not maintained separate bank balances for each of these funds, it has deposited all connection fees collected and debt service charges in a separate bond retirement account which has a balance of \$203,893 at March 31, 2006. The cash funds and accounts receivable balance have been included in the Sewer funds statement of net assets as restricted for debt service.

**5. CAPITAL ASSETS**

Capital assets activity for the year ended March 31, 2006 was as follows:

	Balance April 1, 2005	Additions	Retirements	Balance March 31, 2006
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 46,475	\$ -	\$ -	\$ 46,475
Construction in progress-infrastructure	155,694	13,429	132,933	36,190
Total nondepreciable capital assets	202,169	13,429	132,933	82,665
Depreciable capital assets:				
Buildings and improvements	63,436	-	-	63,436
Machinery and equipment	37,092	-	2,000	35,092
Office equipment	2,705	-	-	2,705
Infrastructure	29,086	142,819	-	171,905
Total depreciable capital assets	132,319	142,819	2,000	273,138
Less accumulated depreciation	64,040	16,624	2,000	78,664
Depreciable capital assets, net	68,279	126,195	-	194,474
Capital assets, net	<u>\$ 270,448</u>	<u>\$ 139,624</u>	<u>\$ 132,933</u>	<u>\$ 277,139</u>
<b>Business type activities:</b>				
Nondepreciable capital assets:				
Sewer land	\$ 115,744	\$ -	\$ -	\$ 115,744
Water land	6,515	-	-	6,515
Total nondepreciable capital assets	122,259	-	-	122,259
Depreciable capital assets:				
Sewer system	2,923,100	-	-	2,923,100
Water system	1,645,471	-	-	1,645,471
Total capital assets	4,568,571	-	-	4,568,571
Less accumulated depreciation	891,480	122,030	-	1,013,510
Depreciable capital assets, net	3,677,091	122,030	-	3,555,061
Capital assets, net	<u>\$ 3,799,350</u>	<u>\$ 122,030</u>	<u>\$ -</u>	<u>\$ 3,677,320</u>

Depreciation expense was charged to functions as follows:

**Governmental activities**

General government	\$ 2,844
Public works	13,780
Total governmental activities	<u>\$ 16,624</u>

**Business type activities**

Sewer	\$ 73,077
Water	48,953
Total business type activities	<u>\$ 122,030</u>

**6. LONG-TERM LIABILITIES**

At March 31, 2006 long-term debt consists of the following obligation:

	Balance April 1, 2005	Additions	Retirements	Balance March 31, 2006	Due Within One Year
<b>Business Type activities</b>					
1997 sewer revenue bonds, due annually in amounts ranging from \$16,000 to \$40,000, plus interest due semiannually at 5%	<u>\$ 656,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 561,000</u>	<u>\$ 16,000</u>

The annual aggregate maturities for the obligations are as follows:

Fiscal Year	Principal	Interest	Total
2007	\$ 16,000	\$ 27,650	\$ 43,650
2008	17,000	26,825	43,825
2009	18,000	25,950	43,950
2010	19,000	25,025	44,025
2011	20,000	24,050	44,050
2012-2016	115,000	103,875	218,875
2017-2021	140,000	72,000	212,000
2022-2024	180,000	32,500	212,500
2025-2026	36,000	900	36,900
	<u>\$ 561,000</u>	<u>\$ 338,775</u>	<u>\$ 899,775</u>

**7. RECEIVABLE AND PAYABLE BALANCES**

Receivables and payables as of year end for the Village's governmental and business type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
<b>Receivables</b>		
Accounts	\$ -	\$ 19,456
Intergovernmental	13,729	-
Amounts due from utility connection fees	<u>-</u>	<u>64,996</u>
Total receivables	<u><u>\$ 13,729</u></u>	<u><u>\$ 84,452</u></u>
<b>Payables and accrued expenses</b>		
Accounts	\$ 17,446	\$ 4,331
Accrued taxes	1,898	-
Interest	<u>-</u>	<u>14,000</u>
Total payables and accrued expenses	<u><u>\$ 19,344</u></u>	<u><u>\$ 18,331</u></u>

The accounts receivable are reported net of allowances for uncollectible accounts of \$2,000.

The amounts due for utility connection fees are due over a 40 year period and bear interest at 6.25% annually. The annual principal due under these agreements approximates \$3,000.

**8. INTERFUND TRANSACTIONS**

The composition of interfund receivable and payable balances at March 31, 2006 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Downtown Development Authority	\$ 29,821
General fund	Sewer fund	4,000
General fund	Water fund	<u>1,000</u>
		<u><u>\$ 34,821</u></u>

These balances resulted from a time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Interfund Advance**

Prior to 2004, the Metamora DDA advanced funds to the Village's Water fund for the construction of a water well. The loan is being paid as funds are collected from water connection fees and is non-interest bearing. As of March 31, 2006, the DDA has advanced \$104,536 to the Water fund.

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General fund	Downtown Development Authority	\$ 94,259
Downtown Development Authority	General fund	<u>29,821</u>
		<u>\$ 124,080</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## **9. COMMITMENTS**

The Village is in the planning and design phase of a downtown streetscape project. Funding of approximately \$196,000 has been committed by the Department of Transportation. The Village will use Downtown Development Authority funds to finance the remaining project costs. Total spending on this project through March 31, 2006 was \$36,190, consisting of engineering and design costs, while the total project is expected to cost \$645,000.

## **10. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation).

The Village participates in the Michigan Municipal Liability and Property Pool (the "Pool") for workers' compensation and property risk. The Pool is a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its insurance coverage. The Pool is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies.

Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in the past three fiscal years.

## **11. ECONOMIC DEPENDENCY AND CREDIT RISK**

### **Concentrations**

One taxpayer, a local manufacturer, accounts for approximately 18 percent of the Village's property tax revenue.

### **Credit Risk**

The Village grants credit to its residents for water and sewer services.

**12. PRIOR PERIOD ADJUSTMENTS****Correction of Error in Recording State Shared Revenues**

Fund balances at March 31, 2005 of the Major Road and Local Road funds have been restated to reflect additional amounts due from the State Highway Department.

The effect of this adjustment on Governmental fund balances is as follows:

	Major Road Fund	Local Road Fund
Fund balance, as previously stated, as of March 31, 2005	\$ 12,905	\$ 52,563
Add: State shared revenue that related to the prior year	<u>3,123</u>	<u>858</u>
Fund balance, restated, as of March 31, 2006	<u>\$ 16,028</u>	<u>\$ 53,421</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Village of Metamora, Michigan****General Fund  
Budgetary Comparison Schedule  
For the Year Ended March 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Property taxes	\$ 185,000	\$ 185,000	\$ 199,588	\$ 14,588
Licenses and permits	1,150	1,150	2,126	976
State sources	40,000	40,000	40,144	144
Charges for services	6,000	6,000	18,991	12,991
Interest income	990	990	7,382	6,392
Rental income	12,000	12,000	15,419	3,419
Miscellaneous	3,000	3,000	2,745	(255)
Total revenue	248,140	248,140	286,395	38,255
<b>Expenditures</b>				
General government:				
Council:				
President's wage	1,200	1,200	1,200	-
Council wages and expenses	5,100	5,100	2,961	2,139
Audit	17,000	17,000	9,713	7,287
Legal	15,000	15,000	11,822	3,178
Capital outlay	5,000	5,000	-	5,000
Printing	1,800	1,800	280	1,520
Dues	2,000	2,000	2,076	(76)
Insurance	15,000	15,000	13,690	1,310
Transportation	400	400	222	178
Other	2,500	2,500	1,342	1,158
Total council	65,000	65,000	43,306	21,694
Clerk:				
Wages-elected	20,639	20,639	20,639	-
Assistant clerk wage	3,500	3,500	3,166	334
Health insurance	1,900	2,535	2,028	507
Repairs	500	500	45	455
Supplies	2,500	2,500	1,540	960
Equipment	3,000	3,000	87	2,913
Dues	700	700	399	301
Other	845	845	27	818
Total clerk	33,584	34,219	27,931	6,288



**Village of Metamora, Michigan**

**General Fund  
Budgetary Comparison Schedule  
For the Year Ended March 31, 2006  
(Continued)**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Treasurer:				
Wages-elected	\$ 11,466	\$ 11,466	\$ 11,466	\$ -
Supplies	500	500	235	265
Printing	500	802	802	-
Bond	751	751	-	751
Repairs	100	100	-	100
Total treasurer	13,317	13,619	12,503	1,116
Assessor	100	100	100	-
Planning and zoning:				
Wages-board	1,600	1,600	1,280	320
Inspections	900	900	482	418
Printing and publishing	1,800	1,800	125	1,675
Professional services	17,000	17,000	16,258	742
Other	500	500	235	265
Total planning and zoning	21,800	21,800	18,380	3,420
Total general government	133,801	134,738	102,220	32,518
Public works:				
Sewer-water administration wages	10,238	10,238	2,371	7,867
DPW wages	17,000	17,000	14,647	2,353
Unemployment and other	50	1,238	3,152	(1,914)
Payroll taxes	5,500	5,500	4,445	1,055
Supplies	5,000	5,000	2,365	2,635
Street lighting	8,000	9,000	8,094	906
Utilities	4,200	4,200	4,036	164
Repairs	4,000	4,000	116	3,884
Sidewalk construction	-	-	6,373	(6,373)
Streetscape project	-	-	13,430	(13,430)
Other	1,100	10,100	54	10,046
Total public works	55,088	66,276	59,083	7,193
Total expenditures	188,889	201,014	161,303	39,711
Excess of revenues over (under) expenditures	59,251	47,126	125,092	77,966

**Village of Metamora, Michigan****General Fund  
Budgetary Comparison Schedule  
For the Year Ended March 31, 2006  
(Continued)**

<b>Other financing sources (uses)</b>				
Transfers in	-	-	29,821	29,821
Transfers out	<u>(86,500)</u>	<u>(97,700)</u>	<u>(94,259)</u>	<u>3,441</u>
Total other financing sources (uses)	<u>(86,500)</u>	<u>(97,700)</u>	<u>(64,438)</u>	<u>33,262</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(27,249)	(50,574)	60,654	111,228
Fund balance, beginning of year	<u>200,992</u>	<u>200,992</u>	<u>200,992</u>	<u>-</u>
Fund balance, end of year	<u>\$ 173,743</u>	<u>\$ 150,418</u>	<u>\$ 261,646</u>	<u>\$ 111,228</u>

# Village of Metamora, Michigan

	Major Road Fund			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
<b>Revenue</b>				
State sources	\$ 33,000	\$ 33,000	\$ 32,367	\$ (633)
Interest income	130	130	531	401
Total revenue	33,130	33,130	32,898	(232)
<b>Expenditures</b>				
Public works:				
Routine maintenance, wages	2,000	2,000	-	2,000
Routine maintenance, supplies	2,000	2,000	50	1,950
Routine maintenance, contractual	18,000	18,000	6,146	11,854
Routine maintenance, other	-	-	-	-
Traffic services, materials	2,000	2,000	-	2,000
Traffic services, other	250	250	-	250
Snow removal, supplies	4,500	4,500	965	3,535
Snow removal, contractual services	8,000	8,000	7,370	630
Administration	268	268	268	-
Total expenditures	37,018	37,018	14,799	22,219
Excess of revenue over (under) expenditures	(3,888)	(3,888)	18,099	21,987
Fund balance, beginning of year	12,905	12,905	12,905	-
Prior period adjustment	-	-	3,123	3,123
Fund balance, end of year	\$ 9,017	\$ 9,017	\$ 34,127	\$ 25,110

**Special Revenue Funds**  
**Budgetary Comparison Schedule**  
**For the Year Ended March 31, 2006**

Local Road Fund			
Original Budget	Amended Budget	Actual	Variance with Amended Budget
\$ 8,900	\$ 8,900	\$ 8,981	\$ 81
300	300	1,568	1,268
9,200	9,200	10,549	1,349
1,500	1,500	-	1,500
2,000	2,000	25	1,975
9,700	9,700	-	9,700
4,000	4,000	-	4,000
100	100	-	100
-	-	-	-
3,000	3,000	475	2,525
4,500	4,500	3,630	870
132	132	132	-
24,932	24,932	4,262	20,670
(15,732)	(15,732)	6,287	22,019
52,563	52,563	52,563	-
-	-	858	858
<u>\$ 36,831</u>	<u>\$ 36,831</u>	<u>\$ 59,708</u>	<u>\$ 22,877</u>

**Blended Component Unit  
Budgetary Comparison Schedule  
For the Year Ended March 31, 2006**

	<b>Component Unit - Downtown Development Authority</b>			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Captured taxes	\$ 81,706	\$ 81,706	\$ 98,611	\$ 16,905
Interest income	3,000	3,000	24,452	21,452
Total revenue	84,706	84,706	123,063	38,357
<b>Expenditures</b>				
General government	7,000	7,000	4,497	2,503
Public works	944,511	944,511	-	944,511
Total expenditures	951,511	951,511	4,497	947,014
Excess of revenue over (under) expenditures	(866,805)	(866,805)	118,566	985,371
<b>Other Financing Sources (Uses)</b>				
Transfers in	94,259	94,259	94,259	-
Transfers out	(29,821)	(29,821)	(29,821)	-
Total other financing sources (uses)	64,438	64,438	64,438	-
Excess of revenue and other financing sources over expenditures and other financing uses	(802,367)	(802,367)	183,004	985,371
Fund balance, beginning of year	914,294	914,294	914,294	-
Fund balance, end of year	<u>\$ 47,489</u>	<u>\$ 47,489</u>	<u>\$1,032,860</u>	<u>\$ 985,371</u>

## **SUPPLEMENTARY INFORMATION**

**Village of Metamora, Michigan****Schedule of Bond Indebtedness  
Sanitary Sewer System Revenue Bonds  
Principal and Interest Obligation as of March 31, 2006**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
5/1/2006	\$ 16,000	5.00%	\$ 14,025	\$ 30,025
11/1/2006		5.00%	13,625	13,625
5/1/2007	17,000	5.00%	13,625	30,625
11/1/2007		5.00%	13,200	13,200
5/1/2008	18,000	5.00%	13,200	31,200
11/1/2008		5.00%	12,750	12,750
5/1/2009	19,000	5.00%	12,750	31,750
11/1/2009		5.00%	12,275	12,275
5/1/2010	20,000	5.00%	12,275	32,275
11/1/2010		5.00%	11,775	11,775
5/1/2011	21,000	5.00%	11,775	32,775
11/1/2011		5.00%	11,250	11,250
5/1/2012	22,000	5.00%	11,250	33,250
11/1/2012		5.00%	10,700	10,700
5/1/2013	23,000	5.00%	10,700	33,700
11/1/2013		5.00%	10,125	10,125
5/1/2014	24,000	5.00%	10,125	34,125
11/1/2014		5.00%	9,525	9,525
5/1/2015	25,000	5.00%	9,525	34,525
11/1/2015		5.00%	8,900	8,900
5/1/2016	26,000	5.00%	8,900	34,900
11/1/2016		5.00%	8,250	8,250
5/1/2017	27,000	5.00%	8,250	35,250
11/1/2017		5.00%	7,575	7,575
5/1/2018	28,000	5.00%	7,575	35,575
11/1/2018		5.00%	6,875	6,875
5/1/2019	29,000	5.00%	6,875	35,875
11/1/2019		5.00%	6,150	6,150
5/1/2020	30,000	5.00%	6,150	36,150
11/1/2020		5.00%	5,400	5,400
5/1/2021	32,000	5.00%	5,400	37,400
11/1/2021		5.00%	4,600	4,600
5/1/2022	34,000	5.00%	4,600	38,600
11/1/2022		5.00%	3,750	3,750
5/1/2023	36,000	5.00%	3,750	39,750
11/1/2023		5.00%	2,850	2,850
5/1/2024	38,000	5.00%	2,850	40,850
11/1/2024		5.00%	1,900	1,900
5/1/2025	40,000	5.00%	1,900	41,900
11/1/2025		5.00%	900	900
5/1/2026	36,000	5.00%	900	36,900
	<u>\$ 561,000</u>		<u>\$ 338,775</u>	<u>\$ 899,775</u>

# HYZER, HILL, KUZAK & CO., P.C.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council  
Village of Metamora  
Metamora, Michigan 48455

We have audited the general purpose financial statements of the Village of Metamora, Michigan, as of and for the year ended March 31, 2006, and have issued our report thereon dated July 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Village of Metamora, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Metamora, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management and the Village Council and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Hyzer, Hill, Kuzak & Co. P.C.*

July 12, 2006